

Message Text

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TAGS: INV, EIND, EMIN SL

SUBJECT: SIERRA RUTILE LTD: PROGRESS IN NEGOTIATIONS WITH GOSL

REF: FREETOWN 344

1. SIERRA RUTILE LTD (SRL) VICE PRESIDENT DAVID FRASER INFORMED EMBASSY MARCH 7 THAT PROSPECTS FOR SUCCESSFUL CONCLUSION OF BETH STEEL-GOSL NEGOTIATIONS ON SRL SIGNIFICANTLY IMPROVED. ON BASIS SERIES OF DISCUSSIONS WITH MINING MINISTER KAWUSU-KONTE, GOSL HAS NOW PROVIDED "COUNTERPROPOSAL" TO BETHSTEEL "ROCK BOTTOM" OFFER (REFTEL) FOR BETHSTEEL CONSIDERATION. FRASER TAKES OFFER OF COUNTERPROPOSAL AS IMPLICIT EVIDENCE GOSL IN FACT WILLING AND SEEKING NEGOTIATE, ALTHOUGH AGREEMENT ALL ASPECTS NOT YET REACHED.

2. FRASER SAID THAT AGREEMENT ALREADY REACHED IN HIS NEGOTIATING SESSIONS WITH KAWUSU-KONTE ON TWO POINTS ON WHICH THERE PREVIOUSLY WERE DIFFERENCES: A. BETHSTEEL HAS AGREED TO STATED PRODUCTION DAY (FROM WHICH TAX HOLIDAY WOULD RUN) OF NOV 1, 1977, AS DESIRED BY GOSL. (BETHSTEEL HAD SOUGHT NOV 1, 1978.) AGREEMENT, AS SPELLED OUT IN COUNTERPROPOSAL, IS TO SPECIFY PRODUCTION DAY AS NOV 1, 1977 "OR SUCH EARLIER OR LATER DATE THAT COMMERCIAL SHIPMENT COMMENCE." IF LATER, GOSL WILL HAVE TO GIVE WRITTEN APPROVAL.

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GOSL WILL HAVE RIGHT NAME ONE DIRECTOR AFTER

PRODUCTION DAY.

B. GOSL HAS AGREED, AS SPECIFIED IN COUNTER-PROPOSAL, TO THREE YEAR TAX HOLIDAY ON PROFITS COMMENCING FROM PRODUCTION DAY (GOSL HAD PREVIOUSLY WANTED ONLY TWO). ANY DIVIDENDS PAID FROM PROFITS DURING TAX HOLIDAY OR FROM SPECIAL RESERVE ACCOUNT IN FIVE-YEAR PERIOD AFTER TAX HOLIDAY WILL BE TAXED, HOWEVER.

3. ON KEY QUESTION OF GOVT PARTICIPATION, GOSL COUNTERPROPOSAL OFFERS WITHHOLD FOR FIVE YEARS AFTER PRODUCTION DAY GOVT OPTION TO EXERCISE RIGHT TO IMPLEMENT MINING POLICY, WITH REVIEW AT END OF PERIOD TO EXAMINE POSSIBLE EXTENSION OF PERIOD OF NON-PARTICIPATION IF GOVT CONSIDERS FINANCIAL SITUATION OF SRL JUSTIFIES IT. (FRASER SAYS HE THOUGHT HE HAD AGREEMENT WITH KAWUSU-KONTE THAT EXTENSION DECISION WOULD BE MADE JOINTLY BY GOSL AND SRL AND WILL EXPLORE FIRMNESS GOSL APPARENT DECISION NOT TO OFFER JOINT DECISION MECHANISM.) FRASER SAYS HE HAS FOUND GOSL EXTREMELY RELUCTANT TO DISCUSS DETAILS OF (A) EXTENT OF EVENTUAL GOSL PARTICIPATION AND (B) HOW PAYMENT FOR GOVT EQUITY WILL BE MADE, BOTH POINTS OF INTEREST TO BETHSTEEL. FRASER BELIEVES THIS RELUCTANCE DUE PRINCIPALLY TO GOSL UNWILLINGNESS COMMIT ITSELF BECAUSE IT UNCERTAIN WHAT CONDITIONS LIKELY TO BE IN 1982 AND TO LIMITED GOSL HOMEWORK ON THESE ISSUES. FRASER BELIEVES, HOWEVER, THAT GOSL AWARE AND ACCEPTS FACT THAT PURCHASE OF EQUITY OUT OF DIVIDENDS NOT ACCEPTABLE TO BETHSTEEL. AS PURELY PERSONAL OPINION, FRASER BELIEVES BETHSTEEL COULD OBTAIN AGREEMENT TO SIX OR SEVEN YEAR PERIOD OF NON-PARTICIPATION IF IT WOULD AGREE NOT PUSH FOR CLARIFICATION OF EVENTUAL EXTENT OF GOSL PARTICIPATION AND METHOD OF PAYMENT ISSUES.

4. FRASER SAID TIMING NEXT BETHSTEEL VISIT UNCERTAIN. GOSL WOULD LIKE VISIT DURING LAST WEEK MARCH BUT THIS INCONVENIENT TO BETHSTEEL. PERMSEC MINISTRY LIMITED OFFICIAL USE

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MINES MRS. DEIGH LEAVING FREETOWN TODAY AND NOT EXPECTED BACK UNTIL ABOUT MARCH 19. FRASER HOPEFUL IT WOULD BE POSSIBLE SQUEEZE IN FIVE DAY VISIT STARTING ABOUT MARCH 21 WHICH WOULD PERMIT BETHSTEEL TEAM BE BACK HOME FOR EASTER WEENED. AS FAR AS NOW KNOWN, PRESIDENT STEVENS, WHO RETURNED FEB 28 FROM "PRIVATE VISIT" TO EUROPE, WILL BE IN FREETOWN AT THAT TIME.

SAMUELS

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